

# Rába Nyrt. Flash Report for Q1 of 2008

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

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## Short summary

### External environment

- As a result of the economic slow-down manifest in the US, the expansion of the US freight vehicle market has not begun. The sales opportunities for special axles viewed as a project reached levels exceeding even those of the last quarter of last year. The European market of heavy vehicles continues to be strong. The Russian bus market continues to grow.
- The increase of raw material prices gained new impetus this year.
- Energy prices increased by 10.9% compared to the same period of last year and declined by 6.1% compared to the last quarter.
- Considerably, 10.5% lower USD exchange rate and 3.0% higher EUR exchange rate compared to the same period of last year.

### Key events and achievements

Through its contract signed with John Deere for a period of 5 years, in a strategic step Rába further increased the ratio of high added value products in its sales. The company seated in Győr has for ten years been supplying its American partner with complete axles and axle components. The sales volumes doubled over the past two years and annual sales are expected to be a double digit figure in USD terms during the coming years.

In line with Rába's strategy and the announcement made during the quarter, the foundry, which earlier formed part of the axle business, operates as a joint venture as from 1 January, 2008.

A considerable change in product structure occurred in the Component Business compared to the earlier years, in that the amount supplied per vehicle declined, primarily due to the changes in material contents, which, in turn was offset by the increase in the number of units ordered.

In accordance with the changes in the IFRS regulations, the FX shipping costs earlier reducing the sales revenue line, were moved to the indirect cost line. Due to the changes in the accounting policy, the trade tax earlier shown under other expenditures was reclassified as taxes.

In Q1 of 2008 the company registered an increase in sales of 27.8% at group level compared to Q1 of 2007, thus the total revenue amounted to HUF 16.8 billion.

The changes in gross margin were substantially deteriorated by the decline in the USD exchange rate, the improvements in efficiency, however, ensured that the level of gross margin remained unchanged compared to the same period of last year. As a result of these factors and due to the increase in sales, in Q1 of 2008 the gross profit exceeded the level of the first

quarter of last year by HUF 700 million. Indirect costs exclusive of other expenditures increased slightly by 4.6% in Q1 of 2008.

The operating profit in Q1 of 2008 increased substantially compared to Q1 of last year, amounting to HUF 602 million, which is the result of operation only. All three businesses were profitable during the quarter.

The EBITDA increased by 51.5%, amounting to HUF1,356 million, or HUF 1,523 million, including the activated hedge, as well.

The structure of the balance sheet improved considerably compared to the same period of last year. Net borrowings remained under HUF 10 billion, in line with the figure at the end of Q4 of 2007. The closing value was HUF 9.9 billion. These are due to the positive net profit, the activated FX hedge positions and the increase in working capital. The level of indebtedness is 3.4% {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 of 2008 was USD 29.9 million, against USD 18.5 million during the same period of 2007. This means an increase of 61%, 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 21.7%, amounting to HUF 9.6 billion, compared to HUF 7.9 billion of last year.

**European exports** amounted to EUR 14.6 million during Q1 of 2008 compared to EUR 12.2 million during the same period of last year. This is an increase of 19.7%, to which the Axle business contributed EUR 8.8 million, the Component business contributed EUR 4.8 million and the Vehicle business contributed EUR 1.0 million.

**Domestic sales** amounted to HUF 5.9 billion during Q1 of 2008, an increase of 22.9% compared to HUF 4.8 billion of Q1 of 2007. The sales generated by the Axle business was HUF 1.2 billion, by the Component business amounted to HUF 2.8 billion, and the contribution of the Vehicle business was HUF 1.8 billion.

On the **CIS and East-European markets** export sales revenues achieved by Rába increased substantially by 9.1% from EUR 6.1 million during the base period to EUR 6.7 million during Q1 of 2008.

On the **other markets** the sales revenue achieved during Q1 of 2008 amounted to USD 1.2 million, against USD 0.6 million of last year.

### **The Rába Group**

The consolidated sales revenue of the Rába group in Q1 of 2008 amounted to HUF 16.9 billion, which is an increase of 27.8% over the figure for the same period of 2007.

The operating profit of the group during Q1 of 2008 amounted to HUF 602.3 million, compared to the profit of HUF 116.0 million during the same period of 2007.

In Q1 of 2008 the financial profit contains an activated hedge profit of HUF 167 million, as well as net interest payment of HUF 157 million in addition to the HUF -104 million of exchange rate losses and HUF 368 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 1,201 million). As a result of these, the financial result is HUF +275 million.

As a result of the above, the Rába group generated a net profit of HUF 252.2 million in Q1 of 2008, compared to the profit of HUF 2.0 million in the same period of last year.

On the level of EBITDA, the group registered profits of HUF 1.356 million in Q1 of 2008, against last year's figure of HUF 895 million.

#### **Rába Futómű Kft. (Axle Ltd)**

The sales revenue of Rába Futómű Kft. during Q1 of 2008 amounted to HUF 10.8 billion after HUF 8.3 billion achieved during the same period of 2007. This corresponds to an increase of 30.1%.

The operating result of the company during the first quarter of this year was a profit of HUF 272 million, compared to the loss of HUF -276 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 790 million, compared to HUF 349 million of last year.

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

The sales revenue of the Component Ltd. grew significantly, by 8.5% during Q1 of 2008 to HUF 4.4 billion, from HUF 4.1 billion in Q1 of 2007.

The company generated HUF 231 million in profits at operating level during Q1 of 2008 compared to HUF 229 million during the same period of last year.

On the level of EBITDA, the profit of the Component Ltd. increased to HUF 385 million during the period, from HUF 344 million of last year.

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

The sales revenue of Rába Jármű Kft. amounted to HUF 2.4 billion in Q1 of 2008, compared to HUF 1.3 billion in Q1 of 2007. This is an increase of 76.9%, which, unlike during the previous year, is the result of sales more evenly distributed over the year.

The operating profit was HUF 280 million during this year, compared to HUF 554 million during the same period of last year.

On the level of EBITDA, during Q1 of 2008 the Company registered a profit of HUF 325 million compared to HUF 150 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)	Axle	Components	Vehicle	Rába group consolidated
2007 Q1	8,137	4,048	1,314	12,981
2008 Q1	10,816	4,407	2,347	16,848

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

### **Breakdown of sales revenue during Q1 of 2008**

Million HUF	America	EU			CIS	Other	Total
		Total	export	domestic			
Axle	5,270	3,605	2,293	1,312	1,728	213	<b>10,816</b>
Component	0	4,407	1,237	3,170	0	0	<b>4,407</b>
Vehicle	0	2,347	251	2,096	0	0	<b>2,347</b>
<b>Consolidated</b>	<b>5,270</b>	<b>9,637</b>	<b>3,783</b>	<b>5,854</b>	<b>1,728</b>	<b>213</b>	<b>16,848</b>

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

	Operating profit	
	Q1 of 2007.	Q1 of 2008.
Axle	-276	272
Components	229	231
Vehicles	115	280
Other	48	-181
<b>Total</b>	<b>116</b>	<b>602</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 Iparteknika Szolgáltató Kft. was merged into Rába Vehicle

Ltd.

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 of 2007	Q1 of 2008	Index
Domestic sales revenues	4.844.735	5.854.118	120,8%
Export sales revenues	8.338.471	10.993.609	131,8%
<b>Net sales revenues</b>	<b>13.183.206</b>	<b>16.847.727</b>	<b>127,8%</b>
Direct cost of sales	10.544.832	13.508.148	128,1%
<b>Gross profit</b>	<b>2.638.374</b>	<b>3.339.579</b>	<b>126,6%</b>
Cost of sales	370.092	325.679	88,0%
General and administration expenses	2.252.916	2.424.306	107,6%
Other revenues	254.944	176.193	69,1%
<b>Other expenditures</b>	<b>154.274</b>	<b>163.518</b>	<b>106,0%</b>
<b>Other items related to business activities</b>	<b>-2.522.338</b>	<b>-2.737.310</b>	<b>108,5%</b>
<b>Operating profit before interest payment and taxation (EBIT)</b>	<b>116.036</b>	<b>602.269</b>	<b>519,0%</b>
Financial revenues	1.355.777	1.424.223	105,0%
Financial expenditures	1.353.768	1.149.482	84,9%
<b>Dividend from affiliated companies</b>	<b>0</b>	<b>-22.552</b>	
<b>Net financial result</b>	<b>2.009</b>	<b>252.189</b>	<b>12553,0%</b>
<b>PROFIT BEFORE TAXATION</b>	<b>118.045</b>	<b>854.458</b>	<b>723,8%</b>
<b>Corporate profit tax</b>	<b>43.282</b>	<b>197.655</b>	<b>456,7%</b>
<b>PROFIT AFTER TAXATION</b>	<b>74.763</b>	<b>656.803</b>	<b>878,5%</b>
Profit share of minority shareholders			
<b>NET INCOME</b>	<b>74.763</b>	<b>656.803</b>	<b>878,5%</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.

#### EARNED REVENUES

During Q1 of 2008, Rába achieved HUF 16,848 million in sales revenue, compared to HUF 13,183 million during the same period of last year. 65.3 per cent of the revenues came from export, the rest came from domestic sales. The sales revenue is 127.8% 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 of 2008 amounted to HUF 183 million, in contrast to HUF 202 million in Q1 of 2007.

## **1. EXPENSES AND OTHER REVENUES**

### **1.1. Direct costs**

During Q1 of 2008 the direct cost level of Rába was at 80.2 per cent, which is practically equal to that of the base period.

### **Gross Profit**

The gross profit changed from HUF 2,638 million to HUF 3,340 million, which is due to the increase in the sales revenue (+ HUF 3,665 million) and to the same increase in direct costs (+ HUF +2,963 million). In contrast to the favourable development of the USD exchange rate in Q1 of 2007, Q1 of 2008 saw a significant deterioration (192.2 in Q1 of 2007, 172.1 in Q1 of 2008), the exchange rate of the EUR improved slightly: 251.9 in Q1 of 2007, 259.5 in Q1 of 2008).

### **Cost of sales**

The cost of sales declined by 12 per cent and amounted to HUF 326 million in Q1 of 2008, compared to HUF 370 million during the same period of 2007.

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

Rába accounts its costs incurred in relation to the management of the company, as well as other general expenses (Q1 of 2008: HUF 2,355 million, Q1 of 2007: HUF 2,295 million) under general overhead costs. This includes the amounts set aside for the projected costs of the share option programme made available to the management within the Share Option Scheme (HUF 104 million in Q1 of 2008.).

### **1.3 Other revenues**

Other revenues amounted to HUF 176 million in Q1 of 2008. This amount was HUF 79 million (31 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 -127 million, the decline in the release of provisions (HUF -53 million) and the increase in discounts sold, transferred or received retroactively (HUF 12 million), the increase in compensations and penalties received (HUF 19 million) and the increase in other revenues (HUF 69 million).

### **1.4. Other expenditures**

The amount of other expenditures in Q1 of 2008 amounted to HUF 164 million, an increase of 6% over the base period. Due to the changes in IFRS accounting policies, the trade tax is no longer accounted under other expenditures, its amount is included in the profit tax. This amounted to HUF 81 million in Q1 of 2007 and to HUF 121 million in Q1 of 2008.

## **2. ("OPERATING") PROFIT BEFORE INTEREST PAYMENT AND TAXATION**

The profit of Rába before interest payment and taxation in Q1 of 2008 was HUF +602 million (Q1 of 2007: HUF 116 million). The increase in the gross profit is HUF +701 million, which was deteriorated by the increase in the cost of sales and administrative costs (HUF 127 million) and by the decline in other revenues (HUF 79 million) and the increase in expenditures (HUF 9 million). Profitability increased from 0.9% during the base period to +3.6%. The profitability of the operating profit + depreciation increased from +6.8 per cent to +8.1 per cent.

## **3. FINANCIAL REVENUES AND EXPENSES**

### **3.1. Net financial result**

In Q1 of 2008, the net financial profit was HUF 275 million, the gain during the same period of 2007 was HUF 2 million. The realized profit of derivative transactions during Q1 of 2008 was HUF 167 million, compared to HUF 291 million in Q1 of 2007. The net 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 of 2008 (and HUF -982 in Q1 of 2007). The net profit of interest income and expenditures was HUF -159 million during Q1 of 2008, compared to HUF -151 million during the base period. Within net financial revenues, exchange rate gains/losses of FX items on 31 March, 2008 was HUF -104 million, compared to HUF +118 million on 31 March, 2007.

The unrealised gain on the revaluation of forward transactions as at 31 March 2008 was HUF +1,201 million, against HUF 437 million during the base period. Financial revenues and expenditures consisted of the following principal items:

	<u>Q1 of 2007</u>	<u>Q1 of 2008</u>
Revenue from dividends	0	0
Interest income	69.289	124.384
Realised gain on forward transactions	1.122.570	170.606
Release of unrealised gain of forward transactions in 31 December	-681.848	-833.677
Unrealised gain of forward transactions	437.326	1.201.179
Exchange rate gains	404.862	754.929
Other financial revenues	3.578	6.802
<b>Financial revenues</b>	<b>1.355.777</b>	<b>1.424.223</b>
Interest payable	219.848	283.139
Realised loss of forward transactions	832.017	3.250
Unrealised loss of forward transactions	0	0
Exchange rate losses	287.319	858.833
Other financial expenditures	14.584	4.260
<b>Financial expenditures</b>	<b>1.353.768</b>	<b>1.149.482</b>

### **3.2. Profit from external companies**

The profit from external companies during Q1 of 2008 amounted to HUF -23 million, which amount represents the portion the parent company is entitled to from the net profit of Busch-Rába Kft.

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

The result before taxation was HUF 854 million in Q1 of 2008, which as a result of the factors outlined in sections 1.1-3.2 is HUF 736 million more than the figure for Q1 of 2007. The profitability ratio represents a 5.1 per cent return on sales on the basis of profit before taxation, compared to 0.9 per cent during the base period.

At group level the tax liability amounts to HUF 198 million, which is in part the tax liability for the unrealized profit of forward transactions and partly the trade tax liability.

### **5. 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	31 March 2007	31 March 2008	Index
Properties, machines, equipment	16.257.123	16.141.037	99,3%
Intangible assets	364.482	437.553	120,0%
Long-term receivables	470.394	146.145	31,1%
Property for investment purposes	338.217	338.217	100,0%
Other participations	205	1.219.943	595094,1%
Other investments	2.770	954	34,4%
Marketable financial assets	263.811	263.811	100,0%
Deferred tax receivables	777.837	834.224	107,2%
<b>Total invested assets</b>	<b>18.474.839</b>	<b>19.381.884</b>	<b>104,9%</b>
Securities	80.000	80.000	100,0%
Stocks	9.854.774	9.647.308	97,9%
Assets kept for sale	0	0	
Receivables	11.300.819	12.159.076	107,6%
Derivative means	437.326	1.201.179	274,7%
Corporate tax receivables	398	131.153	32953,0%
Liquid assets, bank account	318.611	1.306.327	410,0%
<b>Total current assets</b>	<b>21.991.928</b>	<b>24.525.043</b>	<b>111,5%</b>
<b>Total ASSETS</b>	<b>40.466.767</b>	<b>43.906.927</b>	<b>108,5%</b>
Share capital	12.842.699	12.895.495	100,4%
Capital reserve	6.854.765	6.808.672	99,3%
Share option reserve	23.745	61.605	259,4%
Retained earnings	-4.219.494	-2.246.810	53,2%
<b>Total equity and reserves</b>	<b>15.501.715</b>	<b>17.518.962</b>	<b>113,0%</b>
Long-term liabilities	7.533.694	6.621.372	87,9%
Provisions	631.358	942.504	149,3%
<b>Total long-term liabilities</b>	<b>8.165.052</b>	<b>7.563.876</b>	<b>92,6%</b>
Short-term credits and loans	5.585.246	4.550.764	81,5%
Short-term liabilities	11.052.793	13.960.181	126,3%
Deferred tax liability	161.961	313.144	193,3%
<b>Short-term liabilities total</b>	<b>16.800.000</b>	<b>18.824.089</b>	<b>112,0%</b>
<b>Total LIABILITIES (equity and liabilities)</b>	<b>40.466.767</b>	<b>43.906.927</b>	<b>108,5%</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 16,257 million of the previous year to HUF 16,141 million, representing an insignificant

change of 0.7%..

### **Intangible assets**

The net value of intangible assets was HUF 438 million, which is HUF 73 million over the value during the base period. Rába Nyrt. has rights of material value and intellectual products among intangible assets.

### **1.2. Long-term receivables**

This balance sheet line shows long-term receivables on a discounted value among invested assets in the balance sheet. Long-term receivables include the following items:

	31st March 2007.	31st December 2007.	31st March, 2008.
Opening 1 January	470.394	470.394	147.099
Increase		7.980	
Repayments		-54.416	-300.276
Regrouping to receivables		-300.276	300.276
Effect of discounting		23.417	
<b>31 December, Closing</b>	<b>470.394</b>	<b>147.099</b>	<b>147.099</b>

### **1.3. Investments accounted using the capital method**

The closing stock of investments as at 31<sup>st</sup> March, 2008 was HUF 1,220 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.

### **Deferred tax receivable**

On 31 March 2008, the deferred tax amounted to HUF 834 million, HUF 56 million over the level of 31 March 2007. The change is due to the change in tax liabilities as detailed under section 5.

## **2. CURRENT ASSETS**

### **2.1. Stocks**

On 31 March 2008, the closing value of stocks was HUF 9,647 million (31 March 2007: HUF 9,855 million). The change is a mere -2.1%.

### **2.2. Receivables**

The closing figure of receivables as at the end of Q1 of 2008 was HUF 12,159 million, an increase of HUF 858 million compared to the base period (closing figure for the same period of 2007: HUF 11,301 million). The increase is due to the following factors:

- Increase in accounts receivable (HUF 1,611 million),
- Release of active accruals of proceeds from forward transactions during 2007, closed but still uncollected at 31 December 2006, thus the active accruals of revenues declined (HUF -1,172 million)
- Increase in other short-term receivables (HUF 339 million).

### **2.3. Liquid assets**

The closing figure of liquid assets on 31 March 2008 was HUF 1,306 million (31 March 2007: HUF 319 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 31 March 2008, the share capital of the company was HUF 12,895 million, which is HUF 53 million higher than the figure prevailing on 31 March 2007. The change is due to the Rába incentive share programme launched 3<sup>rd</sup> February 2006, which resulted in the sale of 240 treasury shares of the company between the two periods. During the period three persons exercised their right to draw down their 52,556 share options for termination of their employment, in accordance with the share option agreement.

Based on the performance in 2007 of the Rába shares, the second opportunity for the draw down of the option was opened on 4<sup>th</sup> March, 2008. In order to further increase share value, the participants of the scheme volunteered not to exercise their option until the third draw down opportunity would be opened, but no later than until the general meeting of shareholders closing the year 2008.

**3.2. Capital reserve**

On 31 March, 2008, the capital reserve was HUF 6,809 million, HUF 46 million less than that on 31 March 2007, which is due partly to the involvement of affiliated companies into the consolidation, partly to the changes resulting from the subsidies received.

**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 company, the board of directors of Rába decided to launch a five-year management share option programme, entitled Management Share Option Incentive Programme. 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 are evaluated using the Black-Scholes option pricing model for American options, the value of which for 2008 is HUF 61,605, which may change during the year, subject to the draw downs.

**Retained earnings**

The retained earnings (HUF –2,247 million) changed compared to the previous year (HUF - 4,219 million) by HUF 1,973 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				74,764	74,764
Sale of treasury shares	3,098			417	3,515
<b>Balance as at 31 March, 2007</b>	<b>12,842,699</b>	<b>6,854,765</b>	<b>23,745</b>	<b>4,219,494</b>	<b>15,501,715</b>
After-tax profit				1,339,025	1,339,025
Sale of treasury shares	240			81	321
Result of share-based payment drawn	49,038		32,642	-17,668	64,012
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				656,803	656,803

Result of share-based payment	3,518		14,782		18,300
Deferred tax of share-based payment			-2,956		-2,956
Involvement of affiliated companies		-43,856		-5,557	-49,413
<b>Balance as at 31 March, 2008</b>	<b>12,895,495</b>	<b>6,808,672</b>	<b>61,605</b>	<b>2,246,810</b>	<b>17,518,962</b>

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

The closing value of long-term liabilities as at 31 March 2008 amounted to HUF 7,564 million (on 31 March 2007, the closing figure was HUF 8,165 million). Of this, HUF 6,621 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 912 million.

The provisions at the end of the period amounted to HUF 943 million, compared to HUF 631 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 4,551 million) of short-term credits and loans declined by 18.5% compared to the previous period (HUF 5,585 million).

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

The amount of short-term liabilities (closing figure on 31 March, 2008: HUF 13,960 million) increased by 26.3% compared to the base period (of HUF 11,053 million). The principal components of the change were:

- Increase in accounts payable (HUF 2,013 million)
- Increase in passive accruals (HUF 607 million)
- Increase in other short-term liabilities (HUF 122 million)

#### **Deferred tax liability**

The amount of deferred tax liability was HUF 313 million at 31 March, 2008, which is an increase of HUF 151 million over the figure prevailing on 31 March, 2007. The changes are due to the changes in tax liabilities as described under section 5.

**PK 5. CONSOLIDATED CASH-FLOW STATEMENT FOR Q1 OF 2008****Figures in HUF thousand**

2008. I. név

**Cash flow of operating activity**

Profit before taxation	854.458
Adjustment items related to items with no cash movement:	
Interest income/expenditure	158.755
Depreciation and amortisation	754.091
Value loss of real estate, machinery, and fixtures	0
Amortisation for bad and doubtful receivables	7.831
Amortisation of stocks recorded at net realisable value	635
Provisions	80.598
Share-based payments made in capital instruments	14.782
Changes in real value of derivative financial assets	-264.403
Result of sale and in-kind contribution of real assets, machinery and fixtures	-22.555
Result of sale of financial investments	0

**Changes in working capital:**

Receivables from debtors and others, changes in corporate tax	-1.201.744
Changes in stocks	-326.243
Changes in liabilities towards suppliers and others	733.058
	0
Profit tax paid	-120.742
Interests paid	-283.148
<b>Net cash-flows from operating activities</b>	<b>385.373</b>

**Cash flows from investment activities**

Purchase of investments accounted through the capital method	0
Purchase of real estate, machinery and fixtures	-720.292
Revenue from the sale of investments accounted through the capital method	68.518
Revenues from the sale of real estate, machinery and fixtures, as well as of intangibles	34.753
Interests received	124.384
<b>Net cash flows used for investment activities</b>	<b>-492.636</b>

**Cash flow from financing activities**

Revenues from the sale of treasury shares	3.518
Reserves	-43.856
Use and repayment of loans	-257.191
<b>Net cash flows from financing activities</b>	<b>-297.529</b>

<b>Net increase/decline of financial instruments and equivalents</b>	<b>-404.792</b>
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**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 63 million in exchange for HUF, sale of EUR 93 million for HUF.

The bank loans of the Rába Group amount to HUF 10,414 million, of which the loans secured with liens and mortgages on movable assets and real property amount to HUF 10,414 million. The amount of bank guarantees issued on behalf of the Rába Group is HUF 684 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 (31 March)			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	26.42	27.60	3,560,178				
Foreign institutional/corporate	33.28	34.77	4,484,167	32.11	33.54	4,326,985				
Foreign private individual	0.43	0.45	58,351	0.64	0.67	86,667				
Domestic private individual	36.29	37.91	4,889,216	34.79	36.34	4,687,657				
Employees, managing executives	0.359	0.376	48,430	1.76	1.83	236,518				
Treasury shares	4.28		577,249	4.26		573,731				
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. Listing, introduction of shareholders with a stake exceeding 5% (as at 31 March 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	11.34	
AS Trigon Funds	F	B	1,294,771	9.61	10.04	

Tamás Korányi and Andor Almás	D	P	653,500	4.85	5.07	
Treasury Shares	D	B	573.731	4,26		

<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.

**Comment:** between 16 and 24 of April, 2008, shareholders András Lovas-Romváry (34.088), Tamás Korányi (435.000), az Exbus Vagyonkezelő Nyrt. (200,000), a BAÁL Vagyonkezelő és Szolgáltató Kft. (65.000), Andor Almás (66.000), Gábor Kutas (10.000), Gábor Földvári (150.000db), Dr. Ádám Sándor Fintha-Nagy (16.000), Trigon Kesk-Ja Ida-Euroopa Fond (370.000), and Trigon Active Alpha Fond (1.119.771db) have announced to have acted in a coordinated manner. Together they held 2,465,859 shares and a controlling ratio of 19,12% in Rába Nyrt.

## **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			
Subsidiaries					
Total	577.249	573.731			

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

## **TSZ2. Headcount of full-time employees (No. of people)**

	End of base period	Beginning of current year	End of current period
Company level	19	20	20
Group level	2.874	2.645	2.712

The consolidated closing headcount as at 31 March 2008 was 2,712 people, which represented a decline of 5.6% 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		16,000
BD	Gábor Földvári	Board member	2008		150,000
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 treasury shares (pcs):					236,518

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

### **Changes in employment**

The General Meeting of Shareholders held 25 April 2006 elected Alan Spencer to the Board of Directors. Simultaneously the board membership of Antal Apró was terminated. Zoltán Varga was elected to the Supervisory Board, while the Supervisory Board membership of Péter Budaházy and István Préda was terminated.

### **Events following the closing day**

The general meeting of shareholders held 24 April, 2008, elected Gábor Földvári and Dr. Ádám Sándor Finta-Nagy to the Board of Directors, thus the number of board members increased to 7. Lajos Horváth resigned from the Supervisory Board, his replacement on the supervisory board shall be András Lovas-Romváry.

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

Figures in thousand HUF

No.	Description of item	31 March 2007	31 March 2008	Index
<b>A.</b>	<b>Invested assets</b>	<b>15.913.510</b>	<b>17.298.805</b>	<b>108,71%</b>
I.	Intangible assets	43.930	155.083	353,02%
II.	Tagibles	7.064.258	6.345.583	89,83%
III.	Financial assets invested	8.805.322	10.798.139	122,63%
<b>B.</b>	<b>Current assets</b>	<b>4.220.352</b>	<b>4.756.767</b>	<b>112,71%</b>
I.	Stocks	484.851	354.792	73,18%
II.	Receivables	3.092.518	3.498.520	113,13%
III.	Securities	626.527	573.731	91,57%
IV.	Liquid assets	16.456	329.725	2003,65%
<b>C.</b>	<b>Active accruals</b>	<b>236.731</b>	<b>225.804</b>	<b>95,38%</b>
	<b>Total assets</b>	<b>20.370.592</b>	<b>22.281.377</b>	<b>109,38%</b>
<b>D.</b>	<b>Shareholders' equity</b>	<b>14.320.864</b>	<b>15.276.917</b>	<b>106,68%</b>
I.	Registered capital	13.473.446	13.473.446	100,00%

	Of which: ownership stake repurchased at face value	626.527	573.731	91,57%
III.	Capital reserve	11.040.016	11.040.016	100,00%
IV.	Retained earnings	-10.772.191	-9.499.600	88,19%
V.	Fixed reserves	626.527	573.731	91,57%
VII.	Net profit	-46.934	-310.676	661,94%
<b>E.</b>	<b>Provisions</b>	<b>71.864</b>	<b>438.774</b>	<b>610,56%</b>
<b>F.</b>	<b>Liabilities</b>	<b>5.802.792</b>	<b>6.439.035</b>	<b>110,96%</b>
I.	Subordinated liabilities	0	0	
II.	Long-term liabilities	22.331	0	0,00%
III.	Short-term liabilities	5.780.461	6.439.035	111,39%
<b>G.</b>	<b>Passive accruals</b>	<b>175.073</b>	<b>126.651</b>	<b>72,34%</b>
	<b>TOTAL LIABILITIES</b>	<b>20.370.592</b>	<b>22.281.377</b>	<b>109,38%</b>

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

Figures in thousand HUF

No.	Description	Q1 of 2007	Q1 of 2008	Index
I.	Net sales revenue	422.146	265.723	62,95%
II.	Direct costs of sales	113.192	40.758	36,01%
<b>III.</b>	<b>Gross sales revenue</b>	<b>308.954</b>	<b>224.966</b>	<b>72,82%</b>
IV.	Indirect sales costs	359.245	340.802	94,87%
V.	Other revenues	357.233	32.597	9,12%
VI.	Other expenditures	274.406	171.300	62,43%
<b>A.</b>	<b>Operating profit</b>	<b>32.536</b>	<b>-254.539</b>	<b>-882,3%</b>
VIII.	Revenues from financial transactions	15.260	42.166	276,31%
IX.	Expenditures of financial transactions	94.730	93.928	99,15%
B.	Profit of financial transactions	-79.470	-51.762	134,87%
<b>C.</b>	<b>Ordinary business profit</b>	<b>-46.934</b>	<b>-306.301</b>	<b>-652,6%</b>
D.	Extraordinary profit	0	-4.375	
<b>E.</b>	<b>Profit before taxation</b>	<b>-46.934</b>	<b>-310.676</b>	<b>-661,9%</b>
XII.	Tax liability	0	0	
<b>F.</b>	<b>AFTER-TAX PROFIT</b>	<b>-46.934</b>	<b>-310.676</b>	<b>-661,9%</b>
<b>G.</b>	<b>NET PROFIT</b>	<b>-46.934</b>	<b>-310.676</b>	<b>-661,9%</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"/>
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**Other:** .....

**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, in consideration of the International Financial Reporting Standards (balance sheet and profit and loss statement). This does not, however, mean the publication in full of the accounts as per the IFRS.

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, 14 May, 2008

**István Pintér**  
Chairman-CEO

**Béla Balog**  
CFO